

## 1 RESEARCH PROGRESS REPORT

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3 CHAIRMAN JAMES; We'll now move to our research  
4 progress report with Dr. Kelly.

5 MR. KELLY: Thank you, Madam Chair, members of the  
6 Commission. Like Nancy said, I have a very upbeat report for  
7 you. There's a lot that's been going on, very positive. I'd  
8 like to call your attention to the research progress report that  
9 you have in Tab eight. So turn to Tab eight. You've got the  
10 report itself, as well as some documentation behind it. What I  
11 will do is just walk through the seven points of the report and  
12 add a little bit to that, updating what has happened even since I  
13 drafted the report.

14 Point one, where are we on the national survey and  
15 community data base research on gambling behaviors and their  
16 social and economic, and that of course is the NORC contract.

17 I am very glad to report that NORC responded quite  
18 favorably to the four substantive concerns identified by this  
19 Commission at Boston. You remember, they involved the community  
20 data base expertise question, the social cost calculation,  
21 parental consent issues and patron interviews. They responded to  
22 those very adequately. In fact, that's included for your review.  
23 It's a 20 page document. That's the first document behind the  
24 progress report, if you're interested to read through that.

25 The response was reviewed and unanimously approved by  
26 the Research Subcommittee with the understanding that the final  
27 patron interview design would be evaluated before moving ahead.  
28 I can report to you that the Research Subcommittee has reviewed

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1 that patron interview design and has supported it unanimously as  
2 well. So we are moving ahead.

3 Consequently the Chair approved final contract for  
4 signature. And you have a copy of the actual NORC contract in  
5 your documents as well for your review. By the way, the scope of  
6 work in that contract simply refers back to the RFP, the original  
7 request for proposal which you have a copy of as well, if you  
8 like to see the full technical scope of the work that they will  
9 be performing for us.

10 We did hold a kick off planning meeting in April with  
11 NORC representatives, Peter Reuter, Mark Bogdan and myself. We  
12 fleshed out the mission, objectives and time line for research.  
13 We do have a follow up meeting planned for May 27th, next week,  
14 which will focus on questionnaire development which is the next  
15 major area that we'll be moving in. So we hope to have a copy of  
16 that draft to you for review sometime in June. So the next big  
17 step here will be developing the questionnaire, and I know all of  
18 you will want to take a look at that and we'll certainly get a  
19 draft to you.

20 I have asked representatives from NORC to be here to  
21 introduce themselves and their work to you and they are here to  
22 answer any questions you might have. Cindy Veldman is here  
23 especially and will provide a brief overview of their project  
24 during the Research Subcommittee report.

25 I have also attached a brief progress report and a  
26 GANT chart that they drafted for you. You might take a look at  
27 that now or you might just wait until they give their report  
28 shortly, which will cover some of those same issues.

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1           Second point, where are we on the review of laws and  
2 regulations on industry and Native American gambling. That is  
3 the ACIR contract about which we have had much discussion.

4           In response to your expressed concerns over their  
5 proposed costs, ACIR decided to compete for other projects so  
6 that they would not have to bill us for 100 percent of their  
7 overhead. You remember, that was one of the issues we had  
8 discussed in the past. Consequently, they were able to lower  
9 their proposal substantially from 475,000 to 274,000. This will  
10 include as well a report on the differences between regulation of  
11 American Indian and industry casinos as requested by the Research  
12 Subcommittee.

13           So I have attached in there the ACIR memos which  
14 constitute basically their best and final offer for your review  
15 and I think you will be as pleased as I am to see that they will  
16 cover the scope that we want them to cover for a price that we  
17 can afford. We're getting a very good deal in my opinion.

18           At the same time, we did receive two bids from other  
19 firms for the same work which we were asked to do. Those bids  
20 ranged from 240,000 to \$376,000. Therefore, recognizing the need  
21 to move ahead with this research and that ACIR's proposal was now  
22 competitive with the other firms, the Research Subcommittee  
23 unanimously recommended to the Chair that we develop a final  
24 contract for consideration here at this meeting. I believe  
25 Commissioner McCarthy will probably address that during the  
26 Research Subcommittee report. I have attached for your review  
27 the ACIR contract that we are proposing. Also the Executive  
28 Director of ACIR, Mr. Charles Griffiths is here to answer any  
29 questions that might arise during the discussion of this issue.

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1 Third point, where are we on lotteries, the research  
2 update on lotteries. That involves working with Dr. Clotfelter  
3 and Dr. Cook. We are continuing to dialogue with Clotfelter and  
4 Cook for research on three areas that will essentially update  
5 their work for our benefit. They're listed for you there. I  
6 won't go over them now. But basically Dr. Clotfelter asked if we  
7 would please hold off until the end of the semester; he was  
8 swamped. So we have decided to stop phoning him for a while and  
9 wait until the semester calms down and then we'll get back and  
10 pick it back up. But we do hope to be able to move ahead soon  
11 with a contract proposal there as well.

12 Fourth item, research on casino community economic  
13 impact, and that involves the Rose contract. Dr. Rose has  
14 contracted with us per the discussion that we've had previously,  
15 to synthesize the literature on casino economic impacts. I have  
16 attached that contract. The scope of work in that contract, I  
17 would call your attention to that. It details pretty nicely just  
18 exactly what he'll be performing for us. And of course, I could  
19 answer any questions you might have about that.

20 Fifth point, the research on pathological gambling  
21 literature, and that is the National Research Council contract.  
22 The NRC is of course moving ahead with their work on pathological  
23 gambling literature. They did hold their first committee meeting  
24 on April 9th and 10th in D.C. And they have an open workshop  
25 scheduled on prevalence and ideology for June 1st and 2nd in  
26 Irvine, California. Please do let me know if either any of you  
27 or your staff would be interested in attending that. It is  
28 certainly open to you. I'll be glad to get details to you as to  
29 how to get there and where it's going to be. Just give me a call

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1 on that. I have attached the NRC progress report as well for  
2 your review.

3 Six, research on Internet gambling, one of the few  
4 major areas that we are still working on and haven't quite  
5 decided how to move ahead with. The Research Subcommittee will  
6 likely be addressing this topic at its next meeting and may  
7 consider contracting for a synthesis of the current literature on  
8 this issue. Needless to say, the testimony that we're about to  
9 hear today will probably guide our thinking in that respect,  
10 maybe give us some ideas for some specific research directions we  
11 might want to take.

12 Seventh point, I am very glad to report that the  
13 research budget has indeed moved from the red to the black. We  
14 were all concerned with this, wanting to move ahead with what is  
15 really a very aggressive research agenda, very comprehensive  
16 research agenda that we have developed, all of us. We are all  
17 very proud of that research agenda. We were struggling for a  
18 while with coming up with the money to fund it. Well, two things  
19 happened that have helped tremendously and basically moved us  
20 from the projected red into the projected black.

21 First of all, I have worked for some cooperative  
22 agreements with some of our sister agencies to the tune of about  
23 \$300,000 that will be contributed to our research and that is  
24 because the sister agencies would have wanted to research some of  
25 these very areas themselves. They recognize that the work we're  
26 doing is going to be top quality, so they're quite excited in  
27 collaborating with us and helping us to fund this research which  
28 actually saves them money in the long run as well.

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1           And then added to that, of course, is the reduction  
2 in the ACIR proposal by \$201,000. So you put that together and  
3 that was a half a million dollar swing, from the red into the  
4 black and we're all very relieved with that.

5           The collaborating agencies and their research  
6 interests I've just listed for you briefly here and would gladly  
7 answer any questions you might have. Just briefly, first of all,  
8 the Treasury Department which is interested in data on the  
9 relationship between gambling and bankruptcy is contributing  
10 \$150,000 towards our work on that same topic. NIMH which is  
11 interested primarily in the co-morbidity, the correlation of  
12 pathological gambling with other addictions and depression, some  
13 of those very issues that were raised during discussion here  
14 recently, will contribute 100,000. And finally, NIDA is  
15 interested in the data on the relationship between pathological  
16 gambling and drug abuse. They will be contributing \$50,000.

17           Then a final note to end my report, Madam Chair, per  
18 your instruction, I have sent off a letter to the Chief of Staff  
19 of Governor Miller's office in response to their gracious  
20 invitation to work with us, as we advance our work in Las Vegas.  
21 I will be in Las Vegas for a conference but we'll also be  
22 advancing the work of the Commission, as Nancy reported, and we  
23 know of course that they are working hard with their visit  
24 facilitation committee. We're looking forward to collaborating  
25 with them and gathering ideas to report to you for the use of our  
26 time in Las Vegas. So I have sent that letter off per your  
27 instruction. I will soon be contacting those other officials who  
28 have expressed interest in working with us, Senators Bryan and  
29 Reid, Congressman Gibbons and of course, we'll be working with

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1 Commissioner Lanni and Commissioner Wilhelm as well, even though  
2 Commissioner Lanni will be in London at the time. I understand I  
3 will still be working with his office. And Commissioner Bible.

4 Madam Chair, that concludes my report. I'd be glad  
5 to answer any questions there might be.

6 CHAIRMAN JAMES: Any questions for Dr. Kelly? Thank  
7 you very much.

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